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Czech Republic

Wine

Market Update

2002

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Report Highlights: Almost half of the wine consumed in the Czech Republic is imported and total wine consumption has grown by over 15 percent since 1989. A further increase in consumption and a consumer migration to higher quality wines are expected in the coming years. Total wine imports were \$35 million in 2001. New world wines have taken the market by storm but U.S. suppliers have not benefitted proportionally.

This report provides basic information on the Czech wine market, import and taxation rules, and points of contact.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1], EZ

Characteristics of the Czech Wine Market

Viticulture has a thousand year tradition in the Czech Republic and represents about 2 percent of total agricultural production. In total, there are ten legally recognized appellations in Moravia and six in Bohemia covering about 11,000 hectares. In 2000/2001, total wine production reached 52 million liters. About 80 percent of vineyards are planted with white grape varieties and 20 percent with red varieties

The following are traditional varieties of grapes for **white wines**:

- "Veltinske" (Veltliner) - 13 percent of total vineyard area
- "Muller Thurgau" - 17 percent
- "Ryzlink Vlassky" (Welschriesling) - 13 percent
- "Ryzlink Rynsky" (Rheinriesling) - 5 percent

and for **red wines**:

- "Svatovavrinecke" (Saint Laurent) - 10 percent
- "Frankovka" (Lemberger, Blaufrankisch) - 5 percent
- "Zweigeltrebe" - 2 percent
- "Modry Portugal" (Blauer Portugieser) - 1 percent
- "Andre" - 1 percent

Some wine growers do offer varieties that are typically found in southern growing areas (such as Cabernet) but quality tends to suffer due to the Czech Republic's cooler weather.

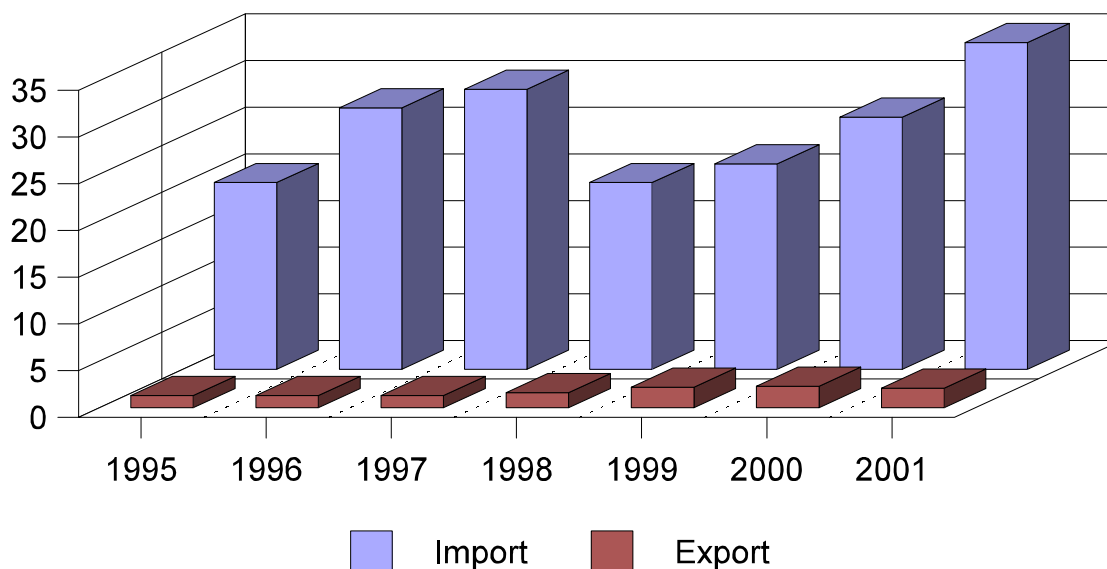
Each year wine growers restore about 300 hectares of old vineyards. The government would like to have 16,000 hectares of vineyards when the Czech Republic eventually joins the European Union.

Consumption Trends

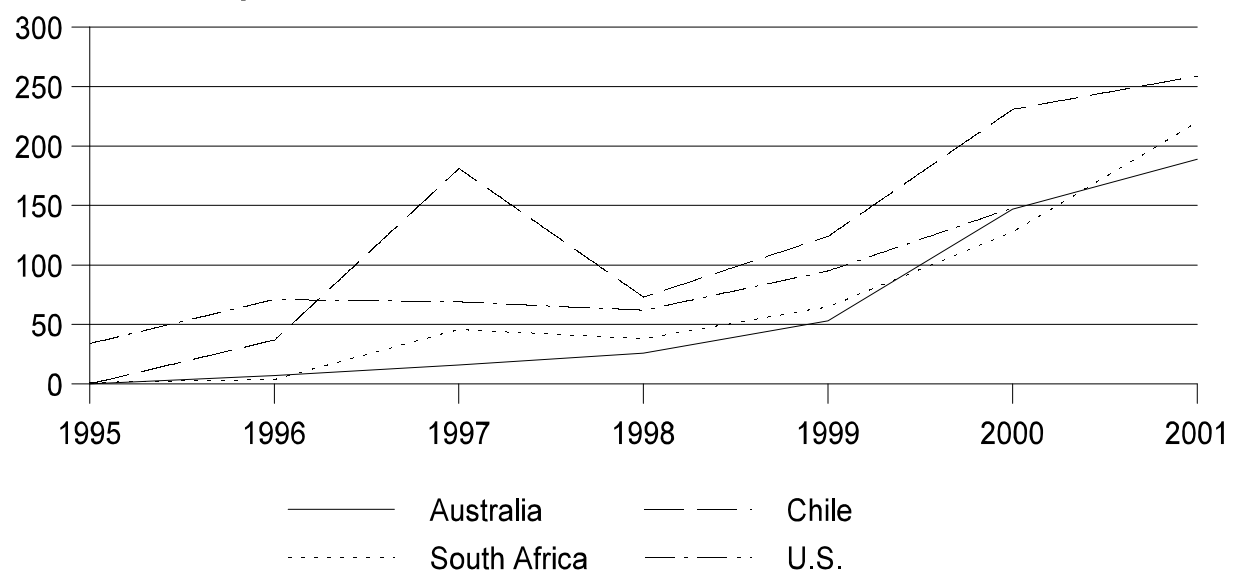
Since 1989 wine consumption increased from 13.5 to 16.2 liters per capita per year. Domestic wines account for about 50 percent of the market. In 2001, imports of wine totaled \$35 million - a 28 percent increase compared to the previous year. Roughly half of the wine imported into the Czech Republic is in bottles, while the remaining half is wine in barrels. Imports of red wine exceed imports of white wine, since domestic production of white wine is higher. The production of organic wine grapes represents only about 0.2 percent of total vineyard area but is expected to grow.

Czech Wine Imports

Imports & Export of Wine - \$ Million



Imports of "New World Wine" in \$1,000



From the graphs above it is evident that the “new world wines” have become very popular in recent years and that ‘new world’ imports are growing faster than imports from traditional wine supplying countries.

The following table shows imports of wine from various countries in \$1,000.

Country	1995	1996	1997	1998	1999	2000	2001	% change since 1995
Spain	304	1,394	2,623	2,288	1,839	2,598	4,712	+1,550
France	837	1,455	1,609	1,534	2,189	3,517	3,644	+435
Hungary	3,872	3,897	2,201	2,985	3,905	7,284	5,244	36
Italy	2,347	6,721	8,969	3,836	5,470	5,746	8,416	+358
Slovakia	6,904	7,867	8,180	7,003	5,231	3,603	5,109	-25
New World Wines								
Chile	0	37	181	73	124	231	259	+25,900
Argentina	0	0	1	19	45	49	81	+8,100
Australia	0	7	16	26	53	147	189	+18,900
South Africa	1	4	46	38	65	128	220	+22,000
U.S.	34	71	69	62	95	165	148	+435

Chilean wine has seen the most growth followed closely by South Africa and Australia. Among European suppliers, the fastest growing wine imports are from Spain. Typically, wine from Spain is a low-end product that is sold in TetraPak boxes through supermarkets.

Distribution and Marketing Key Points:

- Czech producers distribute about 65 percent of their wines directly to retail chains, about 30 percent to wholesalers, which supply restaurants, wine bars, and small retailers, and 4 percent to customers who come and buy wine at the producers’ site
- 1 percent represents sales are through the Internet
- importers of more expensive foreign wines distribute about 50 percent of products directly to hotels and restaurants, mainly in smaller cities and rural areas
- the other 50 percent is distributed through wholesalers in larger cities
- some importers do not sell in the retail sector (e.g. Robert Mondavi) since mass marketing could hurt the image of an expensive and high quality wine
- importers have another reason for not pushing high quality wines in the retail sector: hotels and restaurants pay full price and do not insist on the huge discounts, long credit terms, and slotting fees that large retailers demand

U.S. Wines in the Czech Market

- U.S. wines are not as popular in the Czech Republic as other foreign wines, both from Europe and from other 'new world' producers - this is in part attributable to a low level of awareness on behalf of consumers and relatively worse 'quality-price' ratio when compared to other international wines
- the following U.S. wines are available on the Czech market:
 - Robert Mondavi
 - Beringer
 - Buena Vista
 - Wente
 - Western Cellars
 - Lexicon
 - Ironestone
 - Callaway
 - Gallo - interested in finding a distributor in the Czech Republic
 - various expensive wines from Oregon, Washington, Texas
- Czech restaurants vary their pricing of wines considerably - some have a 50 percent markup but more expensive restaurants sell wine with a 400 percent mark up
- the final consumer price for brands like Haywood, Buena Vista or Mondavi is between 800 to 2,500 CZK (\$20 - \$62) per bottle

Legal Requirements

- Law on Viticulture 115/95 Col. was amended by Law 216/00 and Decrees 297/00, 298/00, 299/00 and later by Law 50/02 and Decree 194/02
- major changes in the amendments include:
 - T foundation of the Vineyard Fund
 - T changes in import regulations

Vineyard Fund

- founded on March 10, 2002
- payments to the Vineyard Fund: 1 CZK (\$0.03) from each 1 liter of wine sold; 350 CZK (\$11) from 1 hectare of vineyards
- money from the Fund would be used for vineyard restoration - 40 percent of Czech vineyards have deteriorated and need to be repaired - and marketing

Import Requirements

- as off May 22, 2002 (according to Law 50/02 and Decree 194/02) up to 100 liters per month per company may be imported without the certificate of origin, only with a statement of importer that imported wine meets all Czech requirements for placing wine on the market (note: this should make it easier for some high-end U.S. suppliers to enter the market)
- the certificate of origin is still necessary for higher volumes of wine and it needs to be stamped by the inspection body or an accredited laboratory in the country of origin
- both certificates and statement forms can be found (so far only in Czech and German) on

the web page of the Czech Ministry of Agriculture: www.mze.cz

Labeling requirements:

- name and address of producer, importer or distributor
- name and address of a Czech processor if wine was further processed in the Czech Republic
- country of origin
- wine category according to paragraph 6 (table wine, quality wine, quality wine specified, sparkling wine, aromatic wine, liquor wine)
- production series number
- content in ml, cl, l, or hl
- alcohol content in percent
- quality wine specified
- list one of six categories based on sugar content (see Characterization of Czech Wine Market)
- name of appellation
- year of harvest

Tariffs and Taxes

The following table shows import tariff rates valid in 2001:

Tariff No.	Description	Special Tariff Rate in 2000, Q = within quota tariff
2204 10	Sparkling wine with 8.5% alcohol	30, Q25 (Hungary Q10, Slovenia and Romania Q25)
2204 21	In containers holding 2 liters or less	30, Q25 (Hungary Q10, Slovenia, Romania and Bulgaria Q25)
2204 29	In containers holding over 2 liters	75, Q25 (Hungary Q10, Slovenia, Romania and Bulgaria Q25)
2205	Vermouth	14 (EU 10, EFTA 10, Slovenia Q10)

The value added tax (VAT) on wine is 22 percent. There is also a 23.40 CZK/liter (\$0.70) excise tax on sparkling wines and a 16.40 CZK/liter (\$0.50) excise tax on vermouth. The excise tax on wine was abolished on July 1, 2000.

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Associations:**Association of Wine Importers**

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Czechmoravian vineyard and wine Association (CMVVU)

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Address: P.O. Box 34, Podivinska 1236, 691 02 Velke Bilovice, Czech Republic
Phone: +420-627-346-721
Fax: +420-627-346-495
E-mail: cmvvu@sendme.cz
Members: 170 members; wine growers, processors, and traders

Czechmoravian Union of Wine Companies

Chairman: Mr. David Stastny
Address: Vinarska 1, 691 42 Valtice, Czech Republic
Phone: +420-2-2411-3172
+420-627-352-329
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E-mail: valvin@vsvaltice.cz
URL: www.vsvaltice.cz
Members: 15 largest wine producers and importers of wine in barrels; 55 percent-60 percent market share

Czech Sommeliers Association

Chairman: Mr. Martin Pastyrik
Address: Restaurace Palac Kinskych, Staromestske nam. 12, 110 00 Praha 1, Czech Republic
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Association of Wine Stores

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(Exchange rate: June 2002: 1 USD = 32 CZK)